



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2017 Biennium

Bill # SB0091

Title: Revising laws related to reciprocal tax collection

Primary Sponsor: Thomas, Fred

Status: As Introduced

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2  | <input type="checkbox"/> Technical Concerns              |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**Description of fiscal impact:** This bill proposes to clarify the priority of debts to be offset against tax refunds payable by the state. The proposed law would also grant the Department of Revenue (DOR) the authority to enter into a reciprocal agreement with the U.S. Internal Revenue Service to offset federal taxes or other debts against tax refunds payable by the state. Current statute allows the department to enter into an agreement with the federal government to offset state taxes or debts owed against tax refunds paid by the federal government.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Revenue (DOR)**

- Under current law, the Montana DOR participates in the U.S. Department of Treasury, State Income Tax (SIT) program (17-4-105 MCA).
- The national program allows individual states and the Treasury's Bureau of the Fiscal Service to enter into reciprocal agreements to offset, or deduct, refund amounts for certain taxpayer debts. These debts include delinquent Montana income taxes which may be offset by the taxpayer's federal tax refunds.

3. Under 17-4-105, MCA, Montana state agencies, local governments and individuals have received on average \$650,000 per year through the SIT Program since the department began participating in the program in 2006.
4. The U.S Department of Treasury also maintains another collection program, the State Income Tax Levy Program (SITLP) which is managed by the Internal Revenue Service (IRS). This is an automated levy program whereby delinquent federal taxes are collected from taxpayer's state income tax refund. Current statute does not grant the department the authority to enter into a reciprocal agreement with the federal government for collection of these federal debts. This bill would grant authority to the department to participate in the SITLP.
5. Under the IRS recently proposed MOU for SITLP, the offset priority order would be: state income tax debts, child support obligations, IRS debts, and then non-child support debts owed to the state of Montana, or to local government entities.
6. The proposed law would prioritize the collection of state, and local government unit, debt obligations before the collection of IRS debts, in reciprocal agreements with the federal government.
7. The department does not anticipate additional costs under this bill.

**Department of Public Health and Human Services (DPHHS)**

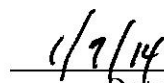
8. The department currently partners with the federal government in similar reciprocal agreements. It is anticipated that further collaboration will increase receivables and payment of bad debts. However, the extent that this bill will contribute is unknown, but is anticipated to be small.

**Effect on County or Other Local Revenues or Expenditures:**

**Montana Association of Counties (MACO)**

1. It is assumed that there would be some minor debt offset collections benefiting counties from this bill.

  
\_\_\_\_\_  
Sponsor's Initials

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Budget Director's Initials

  
\_\_\_\_\_  
Date